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CENTRAL INTELLIGENCE BULLETIN

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SELECTED (OFFICIAL) SOVIET ECONOMIC DATA FOR 1965 AND 1966

Percentage Increases Over the Planned Output of the Previous Year

	1965	1966
Industrial Production	8.1	6.7
Group A (Capital Goods)	8.2	6.9
Group B (Consumer Goods)	7.7	6.0
Agricultural Production	N.A.	8-10
National Income	8.0	6.4
Per Capita Real Income	7.3	6.5
Labor Productivity in Industry	5.7	4.7
Electric Power	12.5	11
Natural Gas	12	{ 12
Crude Oil	7.6	
Metallurgy	6	Almost 6.5
Chemicals	15	12
Machine Building and Metalworking	9	9

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*USSR: Incomplete reports of the Soviet state budget and economic plan for 1966 suggest an increase in military spending at the expense of the civilian sectors of the economy.

The Soviet Government, in announcing a buildup of Soviet defense potential, tied the increase to the need "to cope with the growing threat of war" and the "aggravated international situation" resulting from actions of the "imperialist states." This was plainly the Soviet response to recent rises in US military expenditures in connection with the Vietnam war. However, the Soviet increase probably is needed to continue existing programs to improve military capabilities.

That a real increase in military spending is planned is suggested in part by the five-percent increase in the explicit defense budget to 13.4 billion rubles which follows two successive annual reductions in this category from the record postwar allocation of 13.9 billion rubles in 1963. Actual military appropriations, however, are consistently higher than the admitted outlays for defense, and actual expenditures do not necessarily follow even the trend of the explicit defense allocations.

A more persuasive reason for believing that military spending will rise in 1966 is the relatively small planned increase in investment of 6.4 percent. Compared to the nine-percent rise scheduled for over-all machinery output, the modest rise in investment--the most important nonmilitary consumer of machinery and equipment--suggests that a rising share of the total output of durables will be allocated to military and space programs.

Other defense appropriations are probably concealed in such categories as expenditures for science, which are scheduled to increase by almost ten percent to 6.5 billion rubles in 1966.

(continued)

The planned rate of growth for industry of 6.7 percent is 1.4 percent below that planned for 1965 and nearly two percent under that actually claimed to have taken place this year. The scheduled rate of increase in investment will continue the 1964-65 recovery from the low levels of 1961-63, but it will not support annual additions to output such as were achieved in the late 1950s.

Within industry the production of consumer goods has been planned to rise by only six percent, a rate of growth that will not meet consumer expectations and will not relieve present inflationary pressures to any significant degree. Per capita real income is scheduled to rise by 6.5 percent compared to 7.3 percent planned for this year. Both projections are well above the results achieved in recent years, and it is doubtful that either increase will be fully realized.

The data presently available indicate a continuation of the trends in the various industrial sectors, although the output of the chemical industry is now projected at 12 percent as against 15 percent this year.

Despite the adoption in March 1965 of a program calling for substantially increased support of agriculture during 1966-70, the state budgetary allocation to this sector of 6.5 billion rubles in 1966 is 0.5 billion rubles less than was scheduled for this year. The regime is thus counting on an increase in self-financing by the farms in order to reach the total 1966 figure of 13.2 billion rubles for agriculture, an increase of 6.5 percent from this year's planned figure.

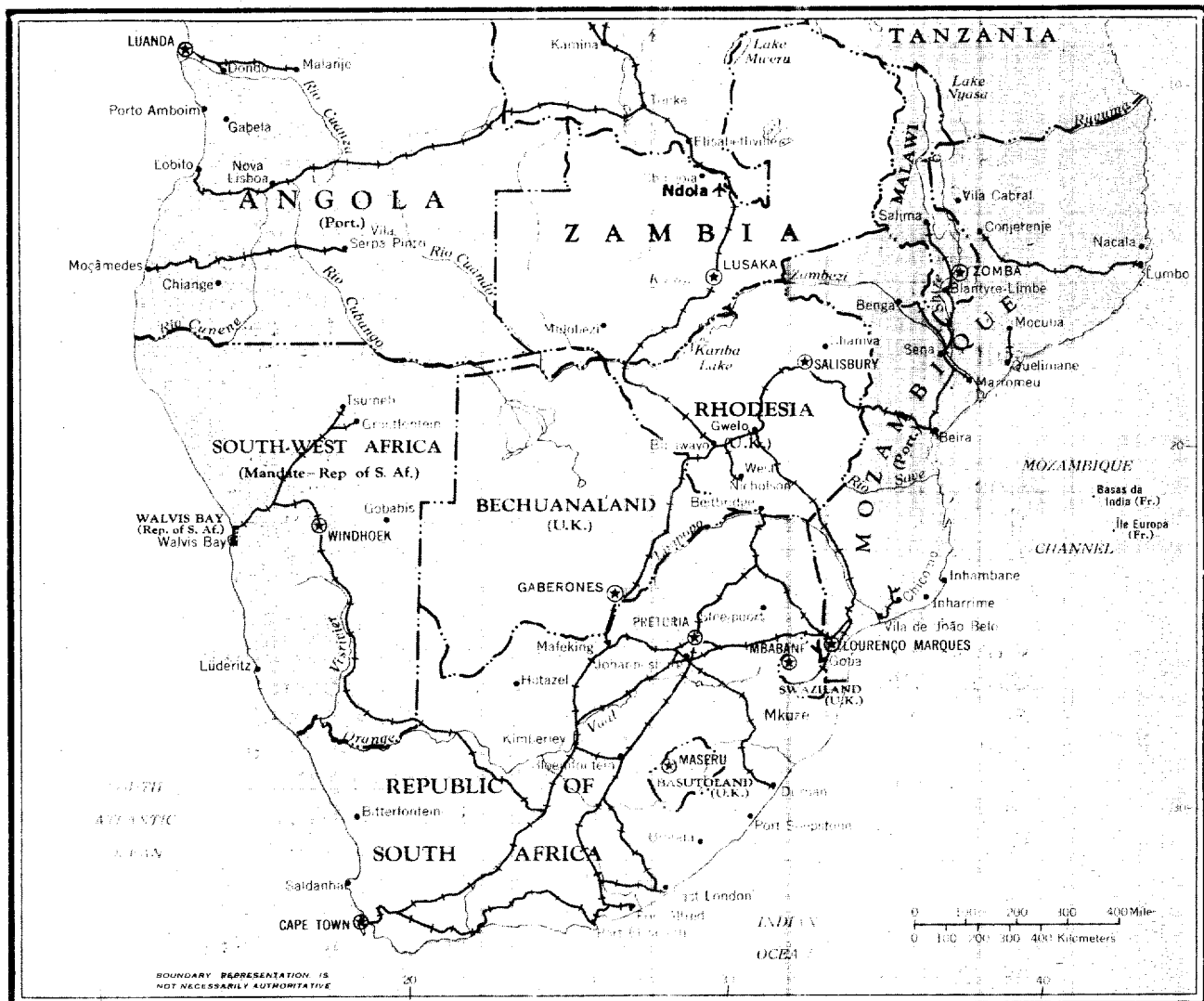
The foregoing conclusions are subject to more than usual reservations. The limited data available indicate that the USSR is including in its 1966 projections an unknown portion of the reforms in Soviet fiscal procedures called for by Premier Kosygin last September. If this is so, the comparisons of the 1965 and 1966 budgets and plans may be erroneous.

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[* Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State or of the Defense Intelligence Agency, Department of Defense.]

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UK-Rhodesia-Zambia: [Prime Minister Wilson is struggling to maintain wide domestic support for his Rhodesian policy.]

[The US Embassy in London notes the prime minister's quick reaction to recent heavy criticism from the mass-circulation London Daily Mirror. The newspaper, which in the past has generally supported his actions toward Rhodesia, attacked Wilson's failure to rule out military action to protect the Kariba power plant.]

[Wilson immediately made clear in an interview with the Mirror that his policy was to avoid military involvement "on or over Rhodesian soil." He stressed his cautious and prudent approach to the Rhodesian problem.]

[Wilson is also faced with a hardening Conservative position on Rhodesia. The Conservative Party has supported the government thus far. The embassy notes, however, that recent public criticism by Tory leader Heath has probably increased doubts among the British public and given comfort to those white Rhodesians who believe that the UK will eventually accept Rhodesia's independence.]

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Indonesia: General Nasution has re-emphasized the army's determination to crush the **PKI**.

In a speech on 6 December, the defense minister criticized the rehabilitation of Communist elements following the **PKI**-led Madiun revolt of 1948. He stated that in order to prevent future Communist attempts to seize power "the organization and its activities" must be destroyed "in such a way that they can no longer operate."

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Pakistan: [President Ayub is coming to the US hoping to re-establish better relations, but apparently with no expectation of an early resumption of US military or economic aid.]

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[Pro-Western Finance Minister Shoaib recently told US Ambassador McConaughy that Ayub probably does not plan to make a direct appeal for immediate restoration of either military or economic assistance during his visit. The Pakistani Government believes it can withstand the suspension of economic aid better than India can--an assumption that appears to be well-founded.]

[Left-leaning senior government officials recently informed Pakistani newsmen that Pakistan would not "abandon China as an ally" in order to improve relations with the US. This may be designed to forestall any expectation of an early shift in Pakistan's foreign policy.]

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Guatemala: The Peralta government is threatened by a crisis in popular confidence.

Guatemalan business circles have been frightened by a series of kidnappings that have netted terrorist groups at least \$180,000 in ransom. Dismayed by the failure of the police to apprehend the abductors, the families of the victims are refusing to cooperate with the government, and some wealthy people are leaving the country for extended "vacations" abroad.

Some prominent Guatemalans reportedly have acceded to demands for "protection payments." The funds extorted in this fashion presumably are earmarked for terrorist operations elsewhere in the country.

The kidnapers are probably being guided by Communists in a carefully contrived conspiracy to paralyze business and to sow confusion among those elements of Guatemalan society whose support is vital to the Peralta government. There is a possibility that foreign Communists are aiding the Guatemalan terrorists.

The evident strain on Peralta, coupled with signs of waning confidence on the part of his administration, may encourage an early attempt to oust his regime. The chances of a coup will increase unless the regime is able to reverse a worsening economic situation and provide the harassed citizenry with effective protection against terrorist assaults.

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NOTES

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Dominican Republic: Integration of rebel military personnel into the regular armed forces is still being delayed, mainly by disagreement over the selection of those eligible. The UN military observer in the Dominican Republic, General Rikhye, who is in close contact with the rebel military, suspects that Caamano is deliberately stalling on the advice of Hector Aristy, his political adviser. Aristy probably sees integration as ending whatever political leverage leaders of the former rebel government may still have. /

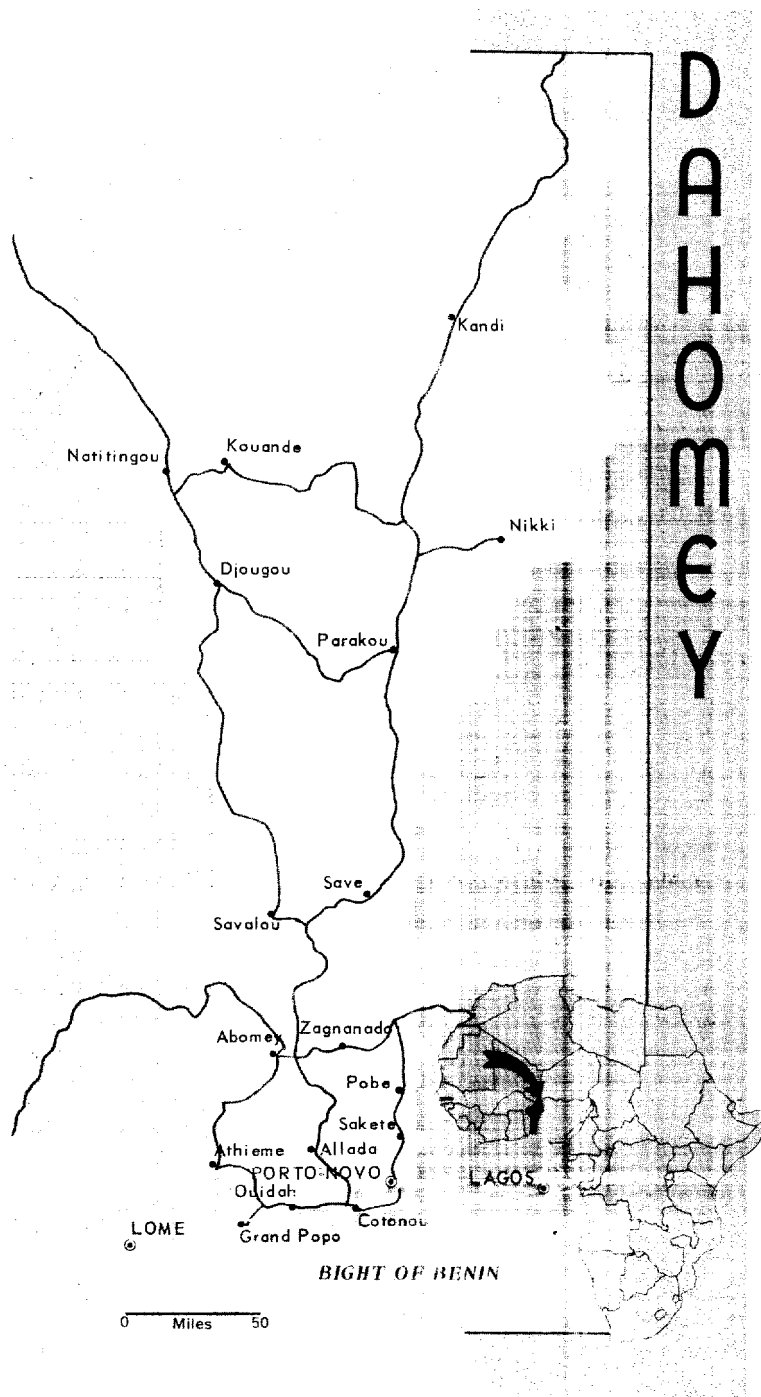
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Uruguay: The government has reimposed emergency security measures to limit the activities of striking government workers. At issue is the government's refusal to lift penalties imposed on workers who took part in strikes in October. Police have arrested some union leaders and appear prepared to deal with any demonstrations or strike-related violence.

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Dahomey: Political authority apparently is continuing to dissipate since the formation of Provisional President Congacou's interim government and the dissolution of the party of the previous regime last week. The general theme of tracts being circulated in support of various political figures is a call for popular reforms. Chinese Communist representatives reportedly are supplying funds for some of the tracts, especially those backing ousted president Apithy. At the same time, the Chinese Nationalist ambassador to Togo has visited Dahomey under army auspices and made tentative arrangements with Congacou to reopen an embassy.

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*Colombia: Eight Communist guerrillas overwhelmed a four-man police outpost on 3 December and for 12 hours occupied the small town of Medialuna in northern Colombia, [REDACTED]

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[REDACTED] Bogota authorities were unaware of the incident until late on 5 December, probably because of the death of the Medialuna police commander and the dispersal of his men, who controlled the only communications link with the rest of the country. Bogota police believe the guerrillas are members of the Army of National Liberation (ELN)--which conducted a similar operation in Simacota last January--but they may have been members of the pro-Chinese Communist Party--Marxist/Leninist (PCC-ML) [REDACTED]

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